



Forms & Instructions

3805Z

1997

Enterprise Zone Business Booklet

This booklet contains:

Form FTB 3805Z, Enterprise Zone Deduction and Credit Summary

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**State of California
Franchise Tax Board**

Instructions for Enterprise Zone Businesses — Form FTB 3805Z

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997**, and to the California Revenue and Taxation Code (R&TC).

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General Information

California has established 3 types of economic development areas that have related tax incentives:

- Enterprise zones;
- The Los Angeles Revitalization Zone (LARZ); and
- Local agency military base recovery areas (LAMBRA).

A business may qualify for special deductions and credits if it operates or invests in a trade or business located within the geographical boundaries of one of these economic development areas.

Note: For information about the LARZ tax incentives, get form FTB 3806, Los Angeles Revitalization Zone Booklet. For information about LAMBRA tax incentives, get form FTB 3807, Local Agency Military Base Recovery Area Booklet.

If you are an employee in an enterprise zone, get Form FTB 3553, Enterprise Zone Employee Credit.

What's New

Enterprise Zone and Program Area Unification. Due to legislation enacted in 1996 and 1997, as of January 1, 1997, the previous Enterprise Zone and the Employment and Economic Incentive Act have been replaced by the Enterprise Zone Act. Enterprise zones and program areas designated or authorized to be designated as of December 31, 1996, automatically receive designation as new enterprise zones under the new Enterprise Zone Act. For taxable or income years beginning on or after January 1, 1997, the

enterprise zone and program area incentives have been replaced by new enterprise zone incentives that are substantially similar to the previous incentives. The main differences in the new enterprise zone tax incentives and the previous enterprise zone tax incentives are: a broader definition of a qualified employee for purposes of the hiring credit and the employee wage credit; and, an increase to the business expense deduction.

Also, program area carryovers are considered to be enterprise zone credit carryovers for taxable or income years beginning on or after January 1, 1997.

Exception: 1997 calendar year taxpayers who receive program area credits passed through from 1996 fiscal year S corporations, estates or trusts, partnerships or limited liability companies (LLCs) taxed as partnerships must claim the pass-through credits as a program area credits on their 1997 tax returns using credit code number 177.

Apportionment Formula. Generally, the 4-factor apportionment formula, which includes a double-weighted sales factor, must be used in order to determine apportioned enterprise zone income. For more information, including exceptions, see Part V, Doing Business Totally Within, Within and Outside an Enterprise Zone or in More than One Enterprise Zone.

Minimum Wage. The California minimum hourly wage increased on March 1, 1997, (pursuant to the passage of Proposition 210, the Living Wage Act of 1996) from \$4.75 to \$5.00. A subsequent increase occurred on September 1, 1997, when the federal minimum wage (pursuant to Public Law 104-188) increased to \$5.15. The next increase will occur on March 1, 1998, when the California minimum wage (pursuant to the passage of Proposition 210, the Living Wage Act of 1996) increases to \$5.75. See Part I for how the minimum wage increases affect the hiring credit.

Other Legislation. Other California legislation enacted this year:

- Requires the Franchise Tax Board (FTB) to provide information to the California Legislature and the Trade and Commerce Agency (TCA) regarding the number of businesses using the enterprise zone tax incentives, types of enterprise zone tax incentives being used and in which enterprise zones businesses are claiming the tax incentives.
Notes: In order to help us meet this requirement, please be sure to attach form FTB 3805Z to your return.
- Requires the FTB to annually make available to the California Legislature and the TCA information, by enterprise zone and city or county, on the dollar value of tax credits that are claimed each year by businesses.
- Provides that for the sole purpose of determining the zone business income that can be offset by the net operating loss carryovers, the expired zone is deemed to remain in existence.

A Purpose

Use this booklet to determine the correct amount of deductions and credits that a business may claim for operating or investing in a trade or business within an enterprise zone. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3805Z, Enterprise Zone Deduction and Credit Summary.

B How to Claim Deductions and Credits

To claim any deduction or credit, the business **must attach** form FTB 3805Z (included in this booklet) to its California tax return.

Attach a separate form FTB 3805Z for each enterprise zone business you operate or invest in that is located in an enterprise zone.

To assist with the processing of the tax return, indicate that the business operates or invests within an enterprise zone by doing the following:

- Form 540 filers:** Write "EZ" in the top left margin of Side 1 of Form 540.
- Form 100 filers:** Claim enterprise zone incentives on Form 100, line 14, line 20 and line 24 through line 27, as applicable.
- Form 100S filers:** Claim enterprise zone incentives on Form 100S, line 12, line 19 and line 23 through line 26, as applicable.
- Form 109 filers:** Check the "yes" box for the enterprise zone, LARZ or LAMBRA question on the top of Side 1 of the return.

Note: Be sure to keep all completed worksheets and supporting documents for your records.

C Enterprise Zone Designation

Enterprise zones were established in California to stimulate development in selected economically depressed areas. The Enterprise Zone Act provides special tax incentives for entities and individuals who operate or invest in a business located within a designated enterprise zone.

Businesses operating within an enterprise zone do not need to qualify or receive prior approval to take advantage of these special tax incentives. For more information, get FTB Pub. 1047, Guidelines for Enterprise Zone Tax Incentives, or call the TCA at (916) 324-8211.

Portions of the following areas were officially designated by the TCA as enterprise zones on the dates shown.

Altadena/Pasadena	04/10/92
Antelope Valley	02/01/97
Bakersfield/Kern (Southeast Bakersfield)	10/15/86
Calexico	10/15/86
Coachella Valley	11/11/91

Delano	12/17/91
Eureka	10/15/86
Fresno	10/15/86
Kings County	06/22/93
Lindsay	10/06/95
Long Beach	01/08/92
Los Angeles – Central City	10/15/86
Los Angeles – Eastside	01/11/88
Los Angeles – Harbor Area	03/04/89
Los Angeles – Mid-Alameda Corridor	10/15/86
Los Angeles – Northeast Valley (formerly Pacoima)	10/15/86
Madera	03/03/89
Merced/Atwater	12/17/91
Oakland	09/28/93
Oroville	11/06/91
Pittsburg	01/11/88
Porterville	10/15/86
Redding/Anderson – Shasta Metro	03/02/92
Richmond	03/02/92
Sacramento – Army Depot	10/04/94
Sacramento – Florin/Perkins	04/05/89
Sacramento – Northgate	10/15/86
San Bernardino/Riverside (Agua Mansa)	10/15/86
San Diego – San Ysidro/ Otay Mesa	01/28/92
San Diego – SE Barrio Logan	10/15/86
San Francisco	05/28/92
San Jose	12/31/86
Santa Ana	06/08/93
Shafter	10/04/95
Siskiyou County – Shasta Metro	11/06/91
Shasta Valley	06/22/93
Stockton	06/22/93
Watsonville	05/01/97
West Sacramento	01/11/88
Yuba/Sutter	10/15/86

Caution: The special tax incentives available to businesses operating within enterprise zones can only be taken for costs paid or incurred after the zone is designated and before the designation expires.

D Important Considerations

Enterprise zone tax incentives apply **only** to investments and business activities undertaken within the zone **after** the enterprise zone receives final designation and before the designation expires.

Expansion. This requirement also applies to any expansion of the existing enterprise zone boundaries. Thus, the business in the expanded area is eligible for the tax incentives only after the expansion receives final designation.

E Geographic Boundaries

The geographic boundaries of an enterprise zone are used to determine whether tax incentives are available to a business in a specified location. Further information about the geographic boundaries of an enterprise zone is available from:

ATTN ENTERPRISE ZONE PROGRAMS
CALIFORNIA TRADE AND COMMERCE
AGENCY
801 K STREET SUITE 1700
SACRAMENTO CA 95814
Telephone: (916) 324-8211

If your business is located within and outside an enterprise zone, see Part V on page 10 for instructions on how to allocate income.

F Forms Table

The titles of forms referred to in this booklet are:

Form 100	– California Corporation Franchise or Income Tax Return
Form 100S	– California S Corporation Franchise or Income Tax Return
Form 109	– California Exempt Organization Business Income Tax Return
Form 540	– California Resident Income Tax Return
Form 541	– California Fiduciary Income Tax Return
Form 565	– Partnership Return of Income
Form 568	– Limited Liability Company Return of Income
Schedule CA (540)	– California Adjustments – Residents
Schedule P	– Alternative Minimum Tax and Credit Limitations
Schedule R	– Apportionment and Allocation of Income

Part I Hiring Credit

Employers conducting a trade or business inside an enterprise zone may claim the hiring credit for a new employee who:

- Was hired after the enterprise zone received its final designation (see General Information C);
- Spends at least 90% of work time on activities directly related to the conduct of a trade or business located within an enterprise zone;
- Performs at least 50% of the work within the boundaries of the enterprise zone; **and**
- Was at the time of hire:
 1. A person receiving or eligible to receive subsidized employment, training or services funded by the federal Job Training Partnership Act (JTPA) or its successor;
 2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN);
 3. A member of a targeted group as defined in the federal Work Opportunity Tax Credit (WOTC);
 4. An economically disadvantaged individual 14 years of age or older;
 5. A dislocated worker;
 6. A disabled individual;
 7. An ex-offender;
 8. A person eligible for or a recipient of:
 - Federal Supplemental Security Income benefits (SSI);
 - Aid to Families with Dependent Children (AFDC);
 - Food Stamps; or
 - State and local general assistance.
 9. A Native American; or
 10. A resident of a targeted employment area.

The percentage of wages used to calculate the credit depends on the number of years the employee works for the employer in the enterprise zone. The applicable percentage begins at 50% and declines 10% for each year of

employment. After the fifth year of employment, no credit is allowed.

The credit is based on the lesser of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable or income year; or
- **150% of the minimum hourly wage** established by the Industrial Welfare Commission shown in column (c) of the table below.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the enterprise zone hiring credit. The following table represents the applicable minimum wage and 150% of the minimum wage for purposes of computing the enterprise zone hiring credit:

	(a)	(b)	(c)
Wages paid or incurred during the following time periods:		Minimum wage	150% of the minimum wage
October 1, 1996 through February 28, 1997		\$4.75	\$7.12
March 1, 1997 through August 31, 1997		\$5.00	\$7.50
September 1, 1997 through February 28, 1998		\$5.15	\$7.72
March 1, 1998 and after		\$5.75	\$8.62

Long Beach Enterprise Zone. For taxable or income years beginning on or after January 1, 1996, the percentage of wages on which the hiring credit is based increased for taxpayers **engaged in aircraft manufacturing activities** (described in Codes 3721 to 3728, inclusive, and Code 3812 of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition). Qualified wages for purposes of the hiring credit for such aircraft manufacturers located in the Long Beach Enterprise Zone, **for up to a maximum of 1,350 qualified employees**, are based on the lesser of:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable or income year; or
- The following rates (based on the time qualified wages are paid or incurred) which represent **202% of the minimum hourly wage** shown in column (c) of the table below.

(a)	(b)	(c)
Wages paid or incurred during the following time periods:	Minimum wage	202% of the minimum wage
October 1, 1996 through February 28, 1997	\$4.75	\$ 9.59
March 1, 1997 through August 31, 1997	\$5.00	\$10.10
September 1, 1997 through February 28, 1998	\$5.15	\$10.40
March 1, 1998 and after	\$5.75	\$11.61

Credit Limitations

- Businesses must reduce any deduction for wages by the amount of the hiring credit.
- S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, line 4. Make the wage deduction adjustment on Form 100S, line 7. In addition, S corporations must add the entire amount of the credit on Schedule K (100S), line 1, column (c).

Example: In 1997, an S corporation qualified for a \$3,000 enterprise zone hiring credit. S corporations can only claim 1/3 of the credit ($\$3,000 \times 1/3 = \$1,000$). Therefore, the S corporation must reduce its wage deduction by \$1,000. On Schedule K (100S), line 1, column (c), the S corporation would add \$3,000 to the corporation's ordinary income or loss to reflect the credit passed through to the shareholder(s).

For additional information about the treatment of credits for S corporations, see Part VII on page 18.

- The amount of hiring credit claimed may not exceed the amount of tax on the enterprise zone business income in any year. Use Worksheet VII on Side 2 of form FTB 3805Z to compute the credit limitation.
- The business may carry over any unused hiring credit to future years until the credit is used. In the case of an S corporation, 2/3 of the credit is lost, the remaining 1/3 can be carried over if it cannot be used in the current year.

Record Keeping. For each qualified employee, keep a schedule for the first 60 months (5 years) of employment showing:

- Employee name;
- Date employee was hired;
- Number of hours employee worked for each month of employment;
- Lesser of the hourly rate of pay for each month of employment or 150% of the minimum wage;
- Location of employee's job site and duties performed; and
- Total qualified wages per month for each month of employment.

Example:

Ray Doe hired January 1, 1997.

Month(s)	Hours	x Hourly Rate	= Qualified Wages
	per Month		per Month
1	175	\$7.00	\$1,225.00
2	170	7.12	1,210.40
3-8	172	7.50	1,290.00
9	170	7.72	1,312.40

Continue to 60

Ray's hourly rate for Month 1 was \$7.00. At the beginning of Month 2, his hourly rate increased to \$8.00. The hourly rate which qualifies for the credit is limited to 150% of the minimum wage (\$7.12 through February 28, 1997, \$7.50 from March 1, 1997 through August 31, 1997, and \$7.72 on or after September 1, 1997).

Instructions for Worksheet I — Hiring Credit & Recapture

Section A — Credit Computation

Line 1, column (a) — Enter the name of each qualified employee.

Line 1, column (b) through column (f) — Enter the qualified wages paid or incurred during the taxable or income year to each employee in the appropriate column.

Example: If you are a 1997 calendar year taxpayer and you hired an employee on 6/1/96, on the 1997 worksheet, you would enter the total qualified wages paid to the employee for the period beginning 1/1/97 and ending 5/31/97 in column (b). You would enter the total qualified wages paid to the employee for the period beginning 6/1/97 and ending 12/31/97 in column (c).

(a) Employee Name	(b) 1st 12 months	(c) 2nd 12 months
Ray Doe	Amount of qualified wages earned from 1/1/97 to 5/31/97.	Amount of qualified wages earned from 6/1/97 through 12/31/97.

The qualified wages from 6/1/96 to 12/31/96 were put in column (b) on the 1996 worksheet.

Line 2, column (b) through column (f) — Add the amounts in each column.

Line 3, column (b) through column (f) — Multiply the total in each column of line 2 by the percentage in each column.

Line 4 — Add the amounts on line 3, column (b) through column (f). Enter this amount on line 4 and on Worksheet VII, line 8B, line 10 or line 12, column (b).

Line 5 — The following credits reduce the Enterprise Zone Hiring Credit in the taxable or income year these credits are accrued. Use the following worksheet to determine the amount to enter on this line.

Credit	Amount
1 LARZ General Hiring Credit	1 _____
2 LARZ Construction Hiring Credit	2 _____
3 LAMBRA Hiring Credit	3 _____
4 Federal Work Opportunity Tax Credit (as in effect January 1, 1997, in IRC Section 51) for individuals hired before October 1, 1997	4 _____
5 Total: Add line 1 through line 4 above. Enter on Worksheet I, Section A, line 5	5 _____

Section B — Credit Recapture

The employer must recapture the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

A day of employment means any day for which the employee receives wage compensation (including a paid sick day, holiday or vacation).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

Note: The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled, (unless the employee was able to return to work and the employer did not offer to re-employ the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked; or
- Due to a substantial reduction in the employer's trade or business operations.

Line 1, column (a) — Enter the name of the terminated employee. Attach additional schedules if necessary.

Line 1, column (b) — Enter the amount of credit recapture for each employee in column (b).

Line 2 — Add the amounts in column (b). Enter the amount from line 2, column (b) on form FTB 3805Z, Side 1, line 6.

Include the amount of hiring credit recapture on your California tax return or form as follows:

- Schedule J (100);
- Schedule J (100S) and Schedule K-1 (100S), line 23;
- Schedule K (109);
- Form 540, line 36;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Schedule K (565), line 22 and Schedule K-1 (565), line 22; or
- Schedule K (568), line 22 and Schedule K-1 (568), line 22.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3805Z" in the space provided on the schedule or form.

Partnerships and limited liability companies (LLCs) taxed as partnerships must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of credit that was previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Schedule J (100S).

Section A Credit Computation

Qualified Wages for Year of Employment

	(a) Employee Name	(b) First Year	(c) Second Year	(d) Third Year	(e) Fourth Year	(f) Fifth Year
1						
2	Totals					
3	Multiply line 2 by the percentage for each column50	.40	.30	.20	.10
4	Add the amounts on line 3, column (b) through column (f). See instructions.					4
5	Enter the total amount of 1997 California and federal jobs tax credits allowed for the employees shown in column (a). See instructions					5
6	Subtract the amount on line 5 from the amount on line 4. Enter the result here and on Worksheet VII, line 8B, line 10 or line 12, column (b)					6

Section B Credit Recapture

	(a) Terminated Employee's Name	(b) Recapture Amount
1		
2	Total amount of credit recapture. Total the amounts in column (b). See instructions for where to report on your California tax return	2

Part II Sales or Use Tax Credit

Individuals, estates or trusts, partnerships and LLCs taxed as partnerships may claim a credit equal to the sales or use tax paid or incurred to purchase the first \$1 million of qualified machinery. **Corporations** may claim a credit equal to the sales or use tax paid or incurred to purchase the first \$20 million of qualified machinery. Individuals who are S corporation shareholders may claim their allocable share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase the first \$1 million of qualified machinery.

Qualified machinery is the machinery or machinery parts used to:

- Manufacture, process, fabricate or otherwise assemble a product;
- Produce renewable energy resources; or
- Control air or water pollution.

The business must use the machinery **exclusively** within the boundaries of the enterprise zone.

Use tax paid on purchases of machinery outside California qualify for the credit only if machinery of a comparable quality and price was not available in California at the time it was purchased.

Leased Property

The sales tax paid on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see Revenue Ruling 55-540, 1955-2 C.B. 39 and FTB Legal Ruling 94-2, March 23, 1994.

Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the enterprise zone business income in any year. After completing Worksheet II (below), use

Worksheet VII on Side 2 of form FTB 3805Z to compute the credit limitation.

- Any unused credit may be carried over and applied against the tax on enterprise zone income in future years.
- For each item of qualified machinery physically located in a portion of the enterprise zone that overlaps with a portion of the LARZ or LAMBRA, the taxpayer may claim only one credit (e.g., the enterprise zone sales or use tax credit, the LARZ sales or use tax credit or the LAMBRA sales or use tax credit) for that item of property. However, the taxpayer may claim the manufacturers' investment credit and the enterprise zone credit for the same item of property.

Depreciation. Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the sales or use tax paid or incurred in connection with the purchase of qualified property.

To compute the difference between California and federal depreciation use the following forms:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Schedule J (109), Depreciation or FTB 3885F, Depreciation and Amortization;
- Form 540 filers – FTB 3885A, Depreciation and Amortization;
- Form 541 filers – FTB 3885F, Depreciation and Amortization;
- Form 565 filers – FTB 3885P, Depreciation and Amortization; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

Record Keeping. In order to support the sales or use tax credit claimed, keep all records that document the purchase of the machinery, such

as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The machinery purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid on its purchase;
- The location where it is used; and
- If purchased from a manufacturer located outside California, records to substantiate that machinery of comparable quality and price was not available for purchase in California.

Instructions for Worksheet II – Sales or Use Tax Credit

Line 1, column (a) – List the items of qualified machinery and machinery parts purchased during the year. For each item, provide the location (street address and city) of its use.

Line 1, column (b) – Enter the cost of the machinery or machinery parts listed in column (a).

Line 1, column (c) – Enter the amount of sales or use tax paid or incurred on the machinery or machinery parts listed in column (a).

Line 2, column (b) – Add the amounts in line 1, column (b).

Caution: This amount cannot exceed \$1 million for individuals, estates or trusts, partnerships or LLCs taxed as partnerships or \$20 million for corporations.

Line 2, column (c) – Add the amounts in line 1, column (c). Enter the total here and on Worksheet VII, line 9B, line 11 or line 13, column (b).

Caution: Only the sales or use tax paid on the cost of machinery up to the limitations on column (b) stated above, may be claimed as a credit.

Worksheet II Sales or Use Tax Credit

(a) Machinery/Parts Description/Location		(b) Cost	(c) Sales or Use Tax
1			
2	Total the amounts in column (b) and column (c). Enter the total from column (c) on Worksheet VII, line 9B, line 11 or line 13, column (b)	2	

Part III Business Expense Deduction

Businesses conducting a qualified trade or business within an enterprise zone may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the cost in the current year rather than depreciate it over several years.

Qualified property is any recovery property that is IRC Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings) and most equipment and furnishings acquired by purchase for exclusive use within an enterprise zone. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost applicable to the 40% deduction the business may claim in any taxable or income year is determined by the number of years that have elapsed since the enterprise zone received its final designation. See General Information C for the designation dates.

The applicable amount is:

Income year of designation	\$100,000
First income year thereafter	\$100,000
Second income year thereafter	\$75,000
Third income year thereafter	\$75,000
Fourth income year thereafter	\$50,000

Note: For businesses located in the expansion area of an enterprise zone, the amount of the deduction is determined by using the original enterprise zone designation date.

Election. The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, this election is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Section 267; or
- Described in IRC Section 168(f).

The enterprise zone business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

A husband and wife filing separate returns may each claim 50% of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner.

Depreciation. If the business elects to deduct the amount computed in Worksheet III, Section A, as a business expense, the depreciable basis of the property must be reduced by the deduction.

Subtract the amount claimed as a business expense from the basis or cost of the property and depreciate the remaining basis or cost.

For enterprise zones, normal depreciation is allowed on the cost of the property in excess of the expensed amount, starting with the taxable or income year following the taxable or income year the property was placed in service.

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a business expense.

Note: The enterprise zone business expense deduction is not allowed for estates or trusts.

To compute the difference between California and federal depreciation use the following forms:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Schedule J (109), Depreciation or FTB 3885F, Depreciation and Amortization;
- Form 540 filers – FTB 3885A, Depreciation and Amortization;
- Form 565 filers – FTB 3885P, Depreciation and Amortization; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

Instructions for Worksheet III – Business Expense Deduction & Recapture

Section A – Deduction Computation

Line 2, column (a) – Enter a description of the property and the location (street address and city) of its use.

Line 2, column (b) – Enter the cost of the property.

Line 5 – Enter the lesser of line 1 or line 4. Enter the amount here, on form FTB 3805Z, Side 1, line 2, and on your California tax return or form as follows:

- Form 100, line 14;
- Form 100S, line 12, Schedule K (100S), line 8 and Schedule K-1 (100S), line 8;
- Form 109, Side 2, Part II, line 24;
- Form 540, Schedule CA (540), column B, on the applicable line for your activity;
- Schedule K (565), line 9 and Schedule K-1 (565), line 9; or
- Schedule K (568), line 9 and Schedule K-1 (568), line 9.

Note: If filing Form 540, indicate that you are claiming the business expense deduction by writing “FTB 3805Z” below the dotted line to the left of the amount entered on Form 540, line 14.

Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable or income year after the property was placed in service, the property is sold, disposed of or no longer used exclusively in the enterprise zone trade or business. In that case, add to current year income the amount previously deducted for that property.

Line 1, column (a) – Enter a description of the property.

Line 1, column (b) – Enter the amount of the business expense deduction claimed for the property that must be recaptured.

Line 2 – Add the amounts in column (b). Enter the total here, on form FTB 3805Z, Side 1, line 7, and on your California tax return or form as follows:

- Form 100, line 14, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Schedule K (100S), line 6 and Schedule K-1 (100S), line 6;
- Form 109, Side 2, Part I, line 12;
- Form 540, Schedule CA (540), column C, on the applicable line for your activity;
- Schedule K (565), line 7 and Schedule K-1 (565), line 7; or
- Schedule K (568), line 7 and Schedule K-1 (568), line 7.

Note: If filing Form 540, indicate that you are recapturing the business expense deduction by writing “FTB 3805Z” below the dotted line to the left of Form 540, line 16.

Section A Deduction Computation

1 If the designation date of the enterprise zone in which you operate a business was:

- Less than 25 months ago, enter \$40,000
- 25 months but not more than 48 months ago, enter \$30,000
- More than 48 months ago, enter \$20,000

1

The designation dates are listed in General Information C.

(a) Property Description / Location		(b) Cost
2		
3 Total. Add the amounts in column (b)	3	
4 Multiply line 3 by 40% (.40)	4	
5 Enter the lesser of line 1 or line 4. This is the maximum amount deductible as a business expense for this enterprise zone. Enter here and on form FTB 3805Z, Side 1, line 2. See instructions for where to report this amount on your California tax return.	5	

Section B Deduction Recapture

(a) Property Description / Location		(b) Recapture Amount
1		
2 Total recapture amount. Total the amounts in column (b). Enter here and on form FTB 3805Z, Side 1, line 7. See instructions for where to report this amount on your California tax return	2	

Part IV Net Interest Deduction for Lenders

A deduction from income is allowed for the amount of net interest received from loans made to a trade or business located within an enterprise zone.

Net interest is defined as the full amount of interest received, less any direct expenses incurred in making the loan. Examples of direct expenses include, but are not limited to:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

Types of loans that qualify for this deduction include business loans, mortgages and loans from noncommercial sources. The following requirements must be met to qualify for the deduction:

- The loan must be made to a trade or business located solely within an enterprise zone;
- The money lent must be used strictly for the borrower's business activities within the enterprise zone;

- The lender may not have equity or other ownership interest in the borrower's trade or business; and
- The loan must be made after the enterprise zone was designated.

Example: You lend \$5,000 to an enterprise zone business that meets the requirements listed above. You receive \$550 in interest and incur \$300 in expenses directly related to the loan. You may deduct \$250 (\$550 - \$300) of net interest from your taxable income.

Record Keeping. You should maintain records for each loan showing:

- The identity and location of the trade or business to which you lent the money;
- The amount of the loan, interest received and any direct expenses associated with the loan; and
- The use of the loan.

Instructions for Worksheet IV — Net Interest Deduction for Lenders

Line 1, column (e) – Enter the direct expenses incurred in making the loan. Examples of direct expenses include:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

Line 2 – Add the amounts in column (f). Enter the total here, on form FTB 3805Z, Side 1, line 3, and on your California tax return or form as follows:

- Form 100, line 14;
- Form 100S, line 12, Schedule K (100S), line 10 and Schedule K-1 (100S), line 10;
- Form 109, Side 2, Part II, line 24;
- Form 540, Schedule CA (540), column B, on the applicable line for your business activity;
- Form 541, line 15a;
- Schedule K (565), line 11 and Schedule K-1 (565), line 11; or
- Schedule K (568), line 11 and Schedule K-1 (568), line 11.

Worksheet IV Net Interest Deduction for Lenders — Enterprise Zones

	(a) Name and Location of Business to which Loan was Made	(b) Date of Loan	(c) Amount of Loan	(d) Interest Received	(e) Direct Expenses Incurred	(f) Net Interest (column (d) minus column (e))
1						
2	Total. Add the amounts in column (f). Enter here and on form FTB 3805Z, Side 1, line 3. See instructions above for where to report this amount on your California tax return					2

Part V Doing Business Totally Within, Within and Outside an Enterprise Zone or in More than One Enterprise Zone

The enterprise zone tax incentives are limited to the tax on business income attributable to the operations within the zone. If the business is located totally within, both within and outside of or in more than one enterprise zone it must determine the portion of total business operations that are attributable to each enterprise zone.

Use Worksheet V, Apportionment – Enterprise Zones to determine the percentage of zone income to total income. This percentage determines the amount of the tax incentives that can be used.

Generally, taxpayers must compute their enterprise zone apportionment factor by using the 4-factor apportionment formula which includes a double-weighted sales factor. **Exception:** Qualifying taxpayers who derive more than 50% of their gross business receipts from agricultural, extractive, savings and loan or bank and financial business activities must compute their enterprise zone apportionment factor by using a 3-factor apportionment formula which includes a single-weighted sales factor.

Note: If the business operates solely within a single enterprise zone and all its property, payroll and sales are solely within a single enterprise zone, you do not have to complete this worksheet. Enter 100% on line 4.

Business Income vs. Nonbusiness Income

Only business income is apportioned to the enterprise zone to determine the incentive limitation. Enterprise zone tax incentives are limited to tax on business income attributable to the operations within the zone.

Business income is income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Nonbusiness income is all income other than business income. Get Title 18 Cal. Code Regulation Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or Form 4797, Sales of Business Property, if you did not have to file a California Schedule D-1), E and F and wages. Be sure to include casualty losses, disaster losses and any business deductions reported on Schedule A as itemized deductions. **Note:** If you elected to carryback part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the enterprise zone.

In general, all transactions and activities of the business that are dependent upon or contribute to the operations of the economic enterprise as a whole constitute the trade or business.

When a corporation is part of a group of corporations engaged in a unitary business, the income and apportionment factors of the unitary group must be combined. For more information, see Schedule R. See the instructions for ordering forms on page 27.

The enterprise zone provisions follow the allocation and apportionment provisions of the Uniform Division of Income for Tax Purposes Act (UDITPA). See California Regulations 25101 through 25137-11 for more information.

Pass-through entities must report to their shareholders, beneficiaries, partners and members:

1. The distributive (or pro rata for S corporations) share of the business income apportioned to the enterprise zone; and
2. The distributive (or pro rata for S corporations) share of the business capital gains apportioned to the enterprise zone included in item 1.

These items should be reported using the appropriate forms listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;
- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable or income year to produce business income.

Note: Property is included in the factor if it could be used during the year.

Property owned by the business is valued at its original cost. Generally, **original cost** is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at 8 times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less aggregate annual subrental rates paid by subtenants.

The **numerator** of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within an enterprise zone during the year to produce enterprise zone business income (column (b)).

The **denominator** of the property factor is the total average value of all real and tangible personal property owned or rented and used during the year to produce business income both within and outside the enterprise zone (column (a)).

Payroll Factor

Payroll is defined as the total amount paid to the business's employees for compensation for the production of business income during the taxable or income year.

Compensation means wages, salaries, commissions and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

Compensation Within the Enterprise Zone.

Compensation is considered to be within an enterprise zone if any one of the following tests is met:

- The employee's services are performed within the geographical boundaries of an enterprise zone; or
- The employee's services are performed both within and outside the enterprise zone, but the services performed outside the enterprise zone are incidental to the employee's service within the zone.

Note: Incidental means any temporary or transitory service rendered in connection with an isolated transaction.

Compensation Within and Outside the Enterprise Zone.

If the employee's services are performed both within and outside the enterprise zone, the employee's compensation will be attributed to the enterprise zone if:

- The employee's base of operations is within and outside the enterprise zone; or
- There is no base of operations in any other part of the state in which some part of the service is performed, but the place from which the service is directed or controlled is within the zone.

Base of operations is the permanent place from which employees start work and customarily return in order to: receive instruction from the taxpayer or communications from their customers or other persons; replenish stock or other material; repair equipment; or perform any other functions necessary in the exercise of their trade or profession at some other point or points.

The **numerator** of the payroll factor is the total compensation paid to employees for working within the enterprise zone during the taxable or income year (column (b)).

The **denominator** of the payroll factor is the total compensation paid for the production of business income during the year both within and outside of the enterprise zone (column (a)).

Sales Factor

The sales factor is a double-weighted factor for all taxpayers except those taxpayers with more than 50% of gross business receipts derived from extractive or agricultural business activities, savings and loan activities or banking or financial business activities.

Extractive business activities means activities relating to the production, refining or processing of oil, natural gas or mineral ore. **Agricultural business activities** means activities relating to livestock, poultry, fruit, truck farm, ranch, nursery or range. (Refer to R&TC Section 25128(c)).

Savings and loan activity means any activity performed by savings and loan associations or savings banks which have been chartered by federal or state law. **Banking or financial business activities** means activities attributable to dealing in money or moneyed capital in substantial competition with the business of national banks.

If a taxpayer derives more than 50% of its gross business receipts from conducting an extractive or agricultural business activity, a savings and loan activity or a banking or financial business activity, all the business income of the taxpayer must be apportioned to the enterprise zone using a single-weighted sales factor. Unitary corporations must apply the 50% test to the business receipts of the entire group. If the entire group satisfies one of the exceptions, all members of the group must use the single-weighted sales factor. If not, all members of the group must use a double-weighted sales factor.

Sales, for purposes of the sales factor, means all gross receipts derived from transactions and activities in the taxpayer's regular trade or business. Gross receipts means gross sales less returns and allowances. It also includes interest income, service charges, carrying charges or time-price differential charges incidental to these gross receipts. If federal and state excise taxes (including sales taxes) are passed on to the buyer or included in the selling price of the product, they must be included in gross receipts. This applies regardless of where the accounting records are maintained or the location of the contract or other evidence of indebtedness.

The following are rules for determining sales in various situations.

1. In the case of a taxpayer engaged in manufacturing and selling goods or products, sales includes all gross receipts from the sales of such goods or products held for sale to customers in the ordinary course of its trade or business. Goods or products also include other property of a kind that would properly be included in the inventory if on hand at the close of the income year.
2. In the case of cost plus fixed fee contracts, such as the operation of a government-owned plant for a fee, sales includes the entire reimbursed cost, plus the fee.
3. In the case of a taxpayer engaged in providing services, such as the performance of equipment service contracts or research and development contracts, sales includes the gross receipts from the performance of such services, including fees, commissions and similar items.
4. In the case of a taxpayer engaged in renting real or tangible property, sales includes the gross receipts from the rental, lease or licensing the use of the property.
5. In the case of a taxpayer engaged in the sale, assignment or licensing of intangible personal property such as patents and copyrights, sales includes the gross receipts therefrom.
6. In the case of a taxpayer that derives receipts from the sale of equipment used in its business, these receipts constitute sales.

Sales of Tangible Personal Property

Gross receipts from the sales of tangible personal property (except sales to the U.S. Government) are attributable to the enterprise zone if the property is:

1. Delivered or shipped to a purchaser within the enterprise zone regardless of the f.o.b. point or any other condition of the sale; or
2. Shipped from an office, store, warehouse, factory or other place of storage within the

enterprise zone by any member of the combined group and no member of the combined group is taxable in the state of the purchaser.

Any transportation of goods by vehicle is a form of shipment, whether the vehicle is owned by the seller, the purchaser or a common carrier. If a seller transfers possession of goods to a purchaser at the purchaser's place of business in an enterprise zone, the sale is an enterprise zone sale. However, if goods are transferred to the purchaser's employee or agent at some other location in the enterprise zone and the purchaser immediately transports the goods outside the enterprise zone, the sale is not an enterprise zone sale.

Gross receipts from sales of tangible personal property to the U.S. Government are attributable to the enterprise zone if the property is shipped from an enterprise zone. Only sales for which the U.S. Government makes direct payment to the seller according to the terms of a contract constitute sales to the U.S. Government. Thus, as a general rule, sales by a subcontractor to the prime contractor, the party to the contract with the U.S. Government, do not constitute sales to the U.S. Government.

Sales (Other Than From Tangible Personal Property)

Sales, other than sales of tangible personal property, are apportioned to the enterprise zone if:

1. The income-producing activity is performed wholly within the enterprise zone; or
2. A portion of the income-producing activity is performed outside of the enterprise zone but a greater portion of this activity is performed within the enterprise zone than outside the zone, based on costs of performance.

Income-producing activity means the transactions and activity directly engaged in by the taxpayer in the regular course of its trade or business for the ultimate purpose of earning gains or profits. Income-producing activity applies to each separate item of income. Income-producing activity does not include transactions and activities performed on behalf of a taxpayer, such as those conducted by an independent contractor.

Costs of performance means direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with industry practices in that trade or business.

Special Rules. The following are special rules to determine if receipts from the income-producing activities are attributable to the enterprise zone.

1. Gross receipts from the rendering of personal services by employees or the use of tangible and intangible property by the taxpayer in performing a service are attributable to the enterprise zone to the extent that the services are performed within the enterprise zone.

However, when services are performed within and outside the enterprise zone, the gross receipts can be attributable to the enterprise zone as shown below. If services are related to a:

- Separate income producing activity – gross receipts are measured by the ratio of time

spent within the enterprise zone versus time performing services everywhere; or

- Single item of income – all gross receipts if a greater portion of services are performed in the enterprise zone based on costs of performance.

Time spent in performing services includes the amount of time expended in the performance of a contract or other obligation that gives rise to the gross receipts.

Personal service not directly connected with the performance of the contract or other obligation (for example, time expended in negotiating the contract) is excluded from the computations.

2. Gross receipts from the sale, rental, leasing, licensing or other use of real property are attributable to the enterprise zone if the real property is located within the enterprise zone.
3. Gross receipts from the rental, leasing, licensing or other use of tangible personal property are attributable to the enterprise zone if the property is located within the enterprise zone.

If tangible personal property is located within and outside of the enterprise zone during the rental, lease or licensing period, gross receipts attributable to the enterprise zone are measured by the ratio which the time the property was physically present or was used within the enterprise zone bears to the total time or use of the property during the period.

The **numerator** of the sales factor is the gross receipts derived during the taxable or income year from transactions and activities occurring within the enterprise zone in the regular course of the taxpayers trade or business.

The **denominator** of the sales factor is the total gross receipts derived during the taxable or income year from transactions and activities occurring everywhere (worldwide) both within and outside the enterprise zone in the regular course of the taxpayer's trade or business.

Example – Computation of enterprise zone income assigned to each entity operating within the enterprise zone:

Parent Corporation A has 2 subsidiaries, B and C. Corporations A and B operate within the enterprise zone. The combined group's worldwide business income was \$1,000,000.

Business income apportioned to the enterprise zone is determined as follows:

Property Factor	A	B	Combined
Enterprise zone property	\$2,000,000	\$1,000,000	\$3,000,000
Worldwide property			\$5,000,000
Apportionment %	40%	20%	60%
Payroll Factor			
Enterprise zone payroll	\$2,000,000	\$800,000	\$2,800,000
Worldwide payroll			\$4,000,000
Apportionment %	50%	20%	70%
Sales Factor			
Enterprise zone sales	\$4,500,000	\$3,500,000	\$7,500,000
Worldwide sales			\$10,000,000
Apportionment %	45%	30%	75%
Average Apportionment %			
<small>(Property + Payroll + (Sales x 2) Factors)</small>			
	45%	25%	70%
Worldwide Business Income			
			\$1,000,000
ENTERPRISE ZONE INCOME			
	\$ 450,000	\$ 250,000	\$ 700,000

Worksheet V Apportionment — Enterprise Zones

Use Worksheet V if your business has income from sources within and outside an enterprise zone

	(a) Total Within and Outside Enterprise Zone	(b) Total Within Enterprise Zone	(c) Percent Within Enterprise Zone Column (b) ÷ Column (a)
1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions on page 10. Exclude property not connected with the business and the value of construction in progress.			
Inventory			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Delivery equipment			
Land			
Other tangible assets (attach schedule)			
Rented property used in the business: See instructions on page 10			
Total property values.			
2 Employees' wages, salaries, commissions and other compensation related to business income included in return.			
Total payroll.			
3 Sales (Gross receipts less returns and allowances).			
Total sales.			
Divide Total Sales column (b) by Total Sales column (a). Multiply the result by 2 (except for agricultural or extractive business activities, savings and loan activities or banking or financial business activities. See instructions). Enter this amount in column (c).			
4 Total Percent (add the percentage in column (c)).			
5 Average apportionment percentage. Divide line 4 by 4 (agricultural or extractive, savings and loan or banking or financial industries, divide by 3) and enter here and on form FTB 3805Z, Side 1, line 5.			

The average apportionment percentage shown on line 5 represents the portion of the business conducted everywhere attributable to activities conducted within the enterprise zone. Use this figure to apportion income and losses where these amounts are to be divided between activities within and outside the enterprise zone.

Note: Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer has no payroll within and outside an enterprise zone then the average apportionment percentage would be computed by dividing line 4 by 3 instead of by 4 as normally instructed.

Part VI Net Operating Loss (NOL) Computation and Loss Limitations

An NOL generated by a business that operates or invests within an enterprise zone can be carried forward for 15 years but may not be carried back. Financial institutions using bad debt reserve methods may carry over the loss for a maximum of five income years. In addition, up to 100% of the NOL generated in an enterprise zone can be carried forward.

The business cannot generate NOLs from activities within the enterprise zone until the first taxable or income year beginning on or after the date the enterprise zone is officially designated. See General Information C for designation dates.

Limitation. An enterprise zone NOL deduction can offset only business income attributable to operations within the enterprise zone.

Election. Businesses **must** elect and designate the carryover category (general or specific, enterprise zone, LARZ or LAMBRA NOLs) on the original return for the year of a loss and file form FTB 3805Z for each year in which an NOL deduction is being taken. The election is **irrevocable**.

Note: If you elect the enterprise zone NOL deduction, you are prohibited by law from carrying over any other type of NOL from this year.

To determine which type of NOL will provide the greatest benefit, businesses that have general or specific, enterprise zone, LARZ or LAMBRA NOLs or that may qualify for the special NOL treatment should estimate future income and complete Worksheet VI and forms:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts;
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations;
- FTB 3806, Los Angeles Revitalization Zone Booklet, Worksheet VI; or
- FTB 3807, Local Agency Military Base Recovery Area Booklet, Worksheet V.

Alternative Minimum Tax. Businesses claiming an enterprise zone NOL deduction must determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 540, 540NR or 541) to compute the NOL for alternative minimum tax purposes.

S Corporations. Enterprise zone NOLs incurred prior to becoming an S corporation may not be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct an enterprise zone NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The NOL is also passed through to the shareholders in the year the loss is incurred.

NOL Carryover Amount – Nonapportioning Corporations Operating Totally Within the Zone

For calendar year taxpayers and fiscal year taxpayers with all payroll, property and sales inside the enterprise zone, the NOL carryover is determined by computing the business loss that results from business activity in the enterprise zone.

NOL Carryover Amount – Corporations Operating Within and Outside the Zone

If the business is located both within and outside of or in more than one enterprise zone, the NOL carryover is determined by apportioning the total business loss of the corporation to the zone based on a special zone apportionment percentage computed in Worksheet V.

Corporations that are members of a unitary group filing a combined report must separately compute loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors.

Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For water's-edge purposes, each corporation's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The NOL carryover may not be increased as a result of the recomputation.

Instructions for Worksheet VI — NOL Computation and Loss Limitations

Individuals and exempt organizations treated as trusts with a current year loss complete Section A. Corporations with a current year loss complete Section B. Individuals and corporations with current year income and a prior year NOL carryover complete Section C.

Section A Computation of Current Year NOL — Individuals and Exempt Organizations Treated as Trusts

Use this section to compute the NOL to be carried over to future years by individuals and exempt organizations treated as trusts. Complete Section A **only** if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts, before you can compute the allowable enterprise zone loss.

To compute an NOL, it is necessary to separate business income and deductions from nonbusiness income and deductions. See Part V, Doing Business Totally Within, Within and Outside an Enterprise Zone or in More than One Enterprise Zone, for a complete discussion of business and nonbusiness income.

Use the Income Worksheet on the following page to determine the amount to enter on:

- Worksheet VI, Section A, line 1;
- Worksheet VI, Section C, line 1 and line 6 (Form 540 filers); and
- Worksheet VII, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

Wages

Taxpayers with wages from a company located within and outside an enterprise zone must determine the enterprise zone wage income by entering the percentage of their time (during the period for which the wages entered on line 1 were earned) that they worked within the enterprise zone. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

Multiple Pass-through Entities

If you are a shareholder, beneficiary, partner or member in multiple pass-through entities with businesses located within and outside an enterprise zone from which you received enterprise zone incentives, see the example below for computing business income in the enterprise zone.

Pass-through entity	Trade or business income from Schedule K-1 (100S, 541, 565 or 568)	Entity's enterprise zone apportionment percentage	Enterprise zone apportioned income
ABC, Inc.	\$40,000	80%	\$32,000
A, B & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
			\$40,000

Business Income

Use business income or loss from Form 1040 Schedules C, C-EZ, E and F, plus California adjustments from Schedule CA (540) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1.

Income Worksheet — Enterprise Zones

Part I Individual Income and Expense Items

	(a) Amount	(b) % of time providing services in the enterprise zone	(c) Apportioned amount (a) x (b)
1 Wages			
2 Employee Business Expenses			
3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c) in column (c), this line.			

Part II Pass-through Income or Loss

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the enterprise zone from Schedule K-1 (100S, 541, 565 or 568) including capital gains and losses
4	
5 Subtotal: Enter the total of line 4, column (b) in column (b), this line	

Part III Taxpayer's Trade or Business

	(a) Business income	(b) Apportionment % for the enterprise zone	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ.			
7 Schedule E (Rentals)			
8 Schedule F.			
9 Subtotal: Enter the total of line 6, column (c), line 7, column (c) and line 8, column (c) in column (c), this line . . .			

	(a) Business gain or loss	(b) Apportionment % for the enterprise zone	(c) Apportioned income or loss (a) x (b)
10 Form 540, Schedule D			
11 Form 540, Schedule D-1			
12 Subtotal: Enter the total of line 10, column (c) and line 11, column (c) in column (c), this line			

	(a) Amount	(b) Apportionment % for the enterprise zone	(c) Apportioned income or loss (a) x (b)
13 Other business income or loss			
14 Subtotal: Enter the total of other business income or loss item(s) from line 13, column (c) in column (c), this line .			
15 Total: Enter the total of column (c) for line 3, line 5, line 9, line 12 and line 14 in column (c), this line			

If the result on the Income Worksheet, line 15, column (c) is a negative amount, enter this amount on:

- Worksheet VI, Section A, line 1.

If the result on the Income Worksheet, line 15, column (c) is a positive amount and:

- You have NOL carryovers, enter the amount on Worksheet VI, Section C, line 1 and line 6 (skip line 2 through line 5). Also enter the amount from the Income Worksheet, line 15, column (c) on Worksheet VII, Part I, line 1 and line 3 (skip line 2), if you have enterprise zone credits.
- You do not have NOL carryovers but you do have credits or credit carryovers, enter the amount on Worksheet VII, Part I, line 1 and line 3 (skip line 2).

Section B Computation of Current Year NOL – Corporations

Use this section to compute the NOL to be carried over to future years for corporations. Complete Section B **only** if the corporation has a current year loss.

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, before you can compute the allowable enterprise zone loss.

Section C Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Organizations Treated as Trusts and Corporations

Use this section to compute the NOL deduction for individuals, exempt organizations treated as trusts and corporations to reduce current year income from the enterprise zone.

Line 1 – See Part V for a discussion of business and nonbusiness income. **Note to Form 540 filers:** Be sure to include on line 1 the amount of deduction for prior year disaster losses reported on Schedule CA for purposes of this worksheet.

Line 2 – In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number, any net capital losses included in line 1.

Line 3 – Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

Line 6 – This is your modified taxable income. You may reduce this amount by your enterprise zone deduction. Your enterprise zone NOL deduction may not be larger than your modified taxable income. If your modified taxable income is a loss in the current year or if it limits the amount of NOL you may use this year, you must carry over the NOL to future years.

Line 7 – Enter the amount from line 6. If this amount is zero or negative, transfer the amounts from line 8 through line 18 column (b) to column (e), and skip to line 19.

Line 8 through Line 18 – Enter the amounts on line 8 through line 18 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

(b) Carry-over from prior years	(c) Amount used this year	(d) Balance available to offset losses	(e) Carry-over
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0

Line 19 – Enter the amount of your current year NOL. For individuals and exempt organizations treated as trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

Line 20 – Add the amounts in column (b) through column (e). Enter the totals from line 20, columns (b), (c) and (e) on form FTB 3805Z, Side 1, line 4a, line 4b, and line 4c respectively.

Your enterprise zone NOL deduction for 1997 is the total of column (c). Enter this amount on your California tax return or form as follows:

- Form 100, line 20;
- Form 100S, line 19;
- Form 109, line 3 or line 11; or
- Schedule CA (540), line 21(e), column B.

Worksheet VI Net Operating Loss (NOL) — Enterprise Zones

Section A Computation of Current Year NOL — Individuals and Exempt Organizations Treated as Trusts

1	Net trade or business loss from all sources. Individuals: Enter the total from the Income Worksheet, line 15, column (c) (page 14) as a positive number. For purposes of this worksheet section, do not include any 1997 losses or disaster loss carryovers in line 1. See definition of business income on page 10. Exempt Organizations Treated as Trusts: Enter the amount from Form 109, line 10	1	
2	Total business capital losses included in line 1. Enter as a positive number	2	
3	Total business capital gains included in line 1.	3	
4	If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0-	4	
5	Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from an enterprise zone.	5	
6	Enter the amount from form FTB 3805V, Part I, Section A, line 20	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 19, column (e)	7	

This is the enterprise zone NOL carryover from 1997 to 1998

Section B Computation of Current Year NOL — Corporations

Note: If you have both an enterprise zone NOL and a prior year general NOL, see instructions on page 13.

During the year the corporation incurred the NOL, the corporation was a: ☐ C Corporation ☐ S Corporation ☐ Exempt Corporation

1	Net loss for state purposes from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number	1	
2	a 1997 disaster relief loss included in line 1. Enter as a positive number	2a	
	b Nonbusiness income included in line 1. Enter as a negative number.	2b	
	c Nonbusiness losses included in line 1. Enter as a positive number	2c	
	d Combine line 2a through line 2c	2d	
3	Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL	3	
4	Enter the average apportionment percentage from Worksheet V, line 5	4	
5	Multiply line 3 by line 4	5	
6	Enter the amount from form FTB 3805Q, Part I, line 3	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 19, column (e)	7	

This is the enterprise zone NOL carryover from 1997 to 1998.

Section C Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Organizations Treated as Trusts and Corporations

1	Enter the amount from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 filers, enter the total from the Income Worksheet, line 15, column (c) (page 14) on line 1 and line 6 (skip line 2 through line 5)	1		
2	a Form 100, 100S, and 109 Filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 filers leave blank	2a		
	b Form 100, 100S, and 109 Filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 filers leave blank	2b		
	c Combine line 2a and line 2b	2c		
3	Form 100 Filers: Enter the amount from Form 100, line 21. Form 100S Filers: Enter the total of the amounts from Form 100S, line 17 and line 20. Form 540 Filers and Form 109 Filers: Enter -0-. Enter this amount as a negative number	3		
4	Combine line 1, line 2c and line 3. If zero or less, enter -0- on line 6	4		
5	Enter the average apportionment percentage from Worksheet V, line 5	5		
6	Modified taxable income. Multiply line 4 by line 5	6		

(a) Description	(b) Carryover from prior years	(c) Amount deducted this year	(d) Balance available to offset losses	(e) NOL carryover
7 Modified taxable income from line 6				
8 NOL carryover beginning after October 15, 1986, and ending in 1986				
9 NOL carryover beginning in 1987				
10 NOL carryover beginning in 1988				
11 NOL carryover beginning in 1989				
12 NOL carryover beginning in 1990				
13 NOL carryover beginning in 1991				
14 NOL carryover beginning in 1992				
15 NOL carryover beginning in 1993				
16 NOL carryover beginning in 1994				
17 NOL carryover beginning in 1995				
18 NOL carryover beginning in 1996				
19 NOL carryover beginning in 1997				
20 Total the amounts in column (b) through column (e). Enter the totals from column (b), column (c) and column (e) on form FTB 3805Z, Side 1, line 4a, line 4b and line 4c respectively .				

Part VII Computation of Credit Limitations

The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to enterprise zone income. Use Worksheet VII on form FTB 3805Z, Side 2 to compute this limitation.

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, LLCs and S corporations), the alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the net passive income tax (S corporations). Refer to the credit instructions in your tax booklet for more information.

S Corporations and the Application of Enterprise Zone Credits.

An S corporation may use its enterprise zone credits to reduce enterprise zone tax at both the corporate and the shareholder levels.

An S corporation may use 1/3 of the enterprise zone credit to reduce the tax on the S corporation's enterprise zone income. In addition, S corporation shareholders may claim their distributive share of the entire amount of the enterprise zone credits calculated under the Personal Income Tax Law.

Example: In 1997, an S corporation qualified for a \$3,000 enterprise zone hiring credit. The S corporation will be able to use 1/3 of the credit ($\$3,000 \times 1/3 = \$1,000$), to offset the tax on the corporation's enterprise zone income.

The S corporation will also pass through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on enterprise zone income.

S corporations must attach form FTB 3805Z to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. If form FTB 3805Z is not attached to the return, the credits may be disallowed.

Shareholders must attach Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

Carryover. If the amount of credit available this year exceeds your tax, you may carry over any excess credit to future years. For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity level tax. See the instructions for Worksheet VII, Part III for more information.

Credit Code Number. To claim the hiring and sales or use tax credits on your return you must use credit code number **176** for enterprise zones and number **177** for program areas. Using the incorrect code number may cause a delay in allowing the credit.

Instructions for Worksheet VII — Computation of Credits

Note: Worksheet VII is on Side 2 of form FTB 3805Z.

Partnerships and LLCs taxed as partnerships do not complete Worksheet VII. The partners and members of these types of entities should complete Worksheet VII in order to determine the amount of enterprise zone credits that they may claim on their California tax return.

Reporting Requirements of S corporations, Estates or Trusts, Partnerships and LLCs Taxed as Partnerships.

- Report to shareholders, beneficiaries, partners and members, the distributive or pro-rata share of business capital gains and losses apportioned to the zone; and
- Separately state any distributive share of business capital gains and losses apportioned to the zone included in the amount above.

S corporations: Complete only Part III of this worksheet if your entity-level tax before credits is more than the minimum franchise tax.

Corporations and S corporations subject to the minimum franchise tax only: Complete only Part IV of this worksheet.

All others: Complete Part I and Part II of this worksheet.

Part I

Note: For filers with NOL or NOL carryovers.

- Complete Worksheet VI first, if you have a current year NOL or an NOL carryover.
- Then complete Worksheet VII if you have any enterprise zone credits.

If you do not have a current year NOL or any NOL carryovers:

- Individual filers: Go to the Income Worksheet in the instructions for Worksheet VI, Section A. Follow the instructions there. Enter the amount from the Income Worksheet, line 15, column (c) on Worksheet VII, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

Line 1 – Enter all trade or business income. See Part V on page 10 for the definition of business income.

Line 2 – If your business is located entirely within the enterprise zone, enter 1.

Specifically, this percentage is the apportionment percentage computed by the entity using FTB 3805Z, Worksheet V, and represents the percentage of the entity's business attributable to the enterprise zone.

Line 3 – If the amount on line 3 is negative, you cannot use any incentives to offset the current year tax liability. Enter -0- on line 7. Carryover of the unused incentives is allowed as provided. See the specific incentive for further information.

Line 6a – Compute the tax as if the enterprise zone taxable income represented all of your taxable income.

Example (Determination of Enterprise Zone Income for Shareholders, Partners or Members of Pass-through Entities):

Ray Smith is vice president of ABC, Inc., an S corporation that has two locations: one in an enterprise zone and one outside an enterprise zone. Eighty percent (80%) of the S corporation's business is attributable to the enterprise zone.

(Note: This percentage was determined by ABC, Inc. using FTB 3805Z, Worksheet V — Apportionment Worksheet, when ABC's S corporation return (Form 100S) was prepared). Ray divides his time equally (50%/50%) between the two offices of ABC, Inc.

Mary Smith (Ray's spouse) works for ABC, Inc. at its office located in the enterprise zone.

Ray and Mary Smith have the following 1997 items of California income and expense:

Ray's salary from ABC, Inc.	\$100,000
Mary's salary from ABC, Inc.	75,000
Interest on savings account	1,000
Dividends	3,000
Schedule K-1(100S) from ABC, Inc.:	
Ordinary income	40,000
Enterprise zone business expense deduction	(5,000)*
Ray's unreimbursed employee expenses from Schedule A	(2,000)

*The enterprise zone business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Smith's enterprise zone income (total amount to be reported on line 3) is computed as follows:

Ray's enterprise zone salary (\$100,000 x 50%)	\$50,000
Mary's enterprise zone salary (\$75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. (\$40,000 x 80%)	32,000
Enterprise zone business expense deduction from ABC, Inc.	(5,000)
Ray's unreimbursed employee business expenses (2,000 x 50%)	(1,000)
Total enterprise zone income (Worksheet VII, Part I, line 3)	\$151,000

Note: The standard deduction and personal or dependency exemptions are not included in the computation of enterprise zone income since they are not related to trade or business activities.

Ray and Mary must compute the tax (to be entered on Worksheet VII, Part I, line 6a) on the total enterprise zone income of \$151,000 (as if it represents all of their income). Using the tax rate schedule in their tax booklet for filing status married filing joint, the 1997 tax figured on \$151,000 is \$10,819.

Individuals: Use the tax table or tax rate schedule for your filing status in your tax booklet.

Exempt organizations: Use the applicable tax rate in your tax booklet. **Corporations and S corporations:** Use the applicable tax rate.

Line 6b – Corporations and S corporations: If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your enterprise zone credits this year. You should complete Part IV of the worksheet to figure the amount of credit carryover.

Part II

Use Part II if you are a corporation, individual, estate or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax go to Part IV.

Line 8A, column (e) – Enter the amount from line 7. This is the amount of limitation based on the tax on enterprise zone business income.

Line 8A, column (f) – Enter the amount of credit that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 8B, column (d).

Line 8B, column (b) – Enter the amount of the current year credit that was computed on Worksheet I.

Line 8B, column (c) – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I minus the amount that was allowed to be taken on the prior year return).

Line 8B, column (d) – Add the amount of the current year credit in column (b) and the amount of the total prior year carryover in column (c).

Line 8B, column (e) – Compare the amount of line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

Line 8B, column (g) – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on enterprise zone business income.

Line 9A, column (e) – Subtract the amount of line 8B, column (e) from the amount of line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amounts from line 9B, column (d) on line 9B, column (g).

Line 9A, column (f) – Enter the amount of credit that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 9B, column (d).

Line 9B, column (b) – Enter the amount of the current year credit that was computed on Worksheet II.

Line 9B, column (c) – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet II minus the amount that was allowed to be taken on the prior year return).

Line 9B, column (d) – Add the amount of the current year credit in column (b) and the amount of the total prior year carryover in column (c).

Line 9B, column (e) – Compare the amount of line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

Line 9B, column (g) – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on enterprise zone business income.

Example: Part II

The ABC Business has \$8,000 of tax. The business computed a credit limitation based on zone income of \$7,000 on Worksheet VII, line 7. The business has the following credits:

Hiring Credit — \$500 and a \$300 carryover from a prior year
Sales or Use Tax Credit — \$9,000

Worksheet VII, Part II would be computed as follows:

Part II Limitation of credits for Corporations, Individuals and Estates and Trusts

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit (Add Col. (b) and Col. (c))	(e) Limitation Based on EZ Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e))	(g) Carryover (Col. (d) Minus Col. (e))
8	Hiring Credit				7,000	800	
		500	300	800	800		-0-
9	Sales or Use Tax Credit				6,200	6,200	
		9,000	-0-	9,000	6,200		2,800

Part III

Use Part III only if you are an S corporation.

Line 10 and Line 11, column (b) – Enter the credit computed this year from the appropriate worksheet. Also enter this amount on Form 100S:

- Schedule C, line 5; and
- Schedule K, line 13.

You may need to adjust your Schedule C (100S) to reflect the enterprise zone tax limitation (Part I, line 7) to your credits after completing this worksheet.

Line 10 and Line 11, column (c) – Multiply the amount on line 10 and line 11, column (b) by 1/3. Enter these amounts in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

Line 10 and Line 11, column (d) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return.

Line 10 and Line 11, column (e) – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

Line 10 and Line 11, column (f) – Enter the amount of credit that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations).

Line 10 and Line 11, column (g) – Subtract the amounts in column (f) from the amounts in column (e). These are the amount of credits that can be carried over to future years and used by the S corporation.

Part IV

Use Part IV if you are a corporation or S corporation subject to paying only the minimum franchise tax.

Line 12 and Line 13, column (b) – Enter the amount of current year credits that were computed on Worksheet I and Worksheet II. **S corporations** may only enter 1/3 of the amounts from Worksheet I and II.

Line 12 and Line 13, column (c) – Enter the amount of the total prior year carryover of the credit (these are the amounts of credits that were previously figured on Worksheet I and Worksheet II, minus the amount that was allowed to be taken on the prior year return).

Line 12 and Line 13, column (d) – Add the amounts in column (b) and column (c). These are the amount of credits that can be carried over to future years.

Principal Business Activity Code Chart

Agriculture, Forestry and Fishing

Code

- 0400 Agricultural production
- 0600 Agricultural services (except veterinarians), forestry, fishing, hunting and trapping

Mining

Metal mining

- 1010 Iron ores
- 1070 Copper, lead and zinc, gold and silver ores
- 1098 Other metal mining
- 1150 Coal mining

Oil and gas extraction

- 1330 Crude petroleum, natural gas and natural gas liquids
- 1380 Oil and gas field services

Nonmetallic minerals, except fuels

- 1430 Dimension, crushed and broken stone; sand and gravel
- 1498 Other nonmetallic minerals, except fuels

Construction

General building contractors and operative builders

- 1510 General building contractors
- 1531 Operative builders

1600 Heavy construction contractors

Special trade contractors

- 1711 Plumbing, heating and air conditioning
- 1731 Electrical work
- 1798 Other special trade contractors

Manufacturing

Food and kindred products

- 2010 Meat products
- 2020 Dairy products
- 2030 Preserved fruits and vegetables
- 2040 Grain mill products
- 2050 Bakery products
- 2060 Sugar and confectionary products
- 2081 Malt liquors and malt
- 2088 Alcoholic beverages, except malt liquors and malt
- 2089 Bottled soft drinks and flavorings
- 2096 Other food and kindred products

2100 Tobacco manufacturers

Textile mill products

- 2228 Weaving mills and textile finishing
- 2250 Knitting mills
- 2298 Other textile mill products

Apparel and other textile products

- 2315 Men's and boy's clothing
- 2345 Women's and children's clothing
- 2388 Other apparel and accessories
- 2390 Miscellaneous fabricated textile products

Lumber and wood products

- 2415 Logging, sawmills and planing mills
- 2430 Millwork, plywood and related products
- 2498 Other wood products, including wood buildings and mobile homes

2500 Furniture and fixtures

Paper and allied products

- 2625 Pulp, paper and board mills
- 2699 Other paper products

Printing and publishing

- 2710 Newspapers
- 2720 Periodicals
- 2735 Books, greeting cards and miscellaneous publishing
- 2799 Commercial and other printing and printing trade services

Chemicals and allied products

Code

- 2815 Industrial chemicals, plastics materials and synthetics
- 2830 Drugs
- 2840 Soap, cleaners and toilet goods
- 2850 Paints and allied products
- 2898 Agricultural and other chemical products

Petroleum refining and related industries (including those integrated with extraction)

- 2910 Petroleum refining (including integrated)
- 2998 Other petroleum and coal products

Rubber and misc. plastics products

- 3050 Rubber products, plastics footwear, hose and belting
- 3070 Misc. plastics products

Leather and leather products

- 3140 Footwear, except rubber
- 3198 Other leather and leather products

Stone, clay and glass products

- 3225 Glass products
- 3240 Cement, hydraulic
- 3270 Concrete, gypsum and plaster products
- 3298 Other nonmetallic mineral products

Primary metal industries

- 3370 Ferrous metal industries; misc. primary metal products
- 3380 Nonferrous metal industries

Fabricated metal products

- 3410 Metal cans and shipping containers
- 3428 Cutlery, hand tools and hardware; screw machine products, bolts and similar products
- 3430 Plumbing and heating, except electric and warm air
- 3440 Fabricated structural metal products
- 3460 Metal forgings and stampings
- 3470 Coating, engraving and allied services

3480 Ordnance and accessories, except vehicles and guided missiles

- 3490 Misc. fabricated metal products

Machinery, except electrical

- 3520 Farm machinery
- 3530 Construction and related machinery
- 3540 Metalworking machinery
- 3550 Special industry machinery
- 3560 General industrial machinery
- 3570 Office, computing and accounting machines
- 3598 Other machinery except electrical

Electrical and electronic equipment

- 3630 Household appliances
- 3665 Radio, television and communication equipment
- 3670 Electronic components and accessories
- 3698 Other electrical equipment

3710 Motor vehicles and equipment

Transportation equipment, except motor vehicles

- 3725 Aircraft, guided missiles and parts
- 3730 Ship and boat building and repairing
- 3798 Other transportation equipment, except motor vehicles

Instruments and related products

- 3815 Scientific instruments and measuring devices; watches and clocks
- 3845 Optical, medical and ophthalmic goods
- 3860 Photographic equipment and supplies

3998 Other manufacturing products

Transportation and Public Utilities

Transportation

Code

- 4000 Railroad transportation
- 4100 Local and interurban passenger transit
- 4200 Trucking and warehousing
- 4400 Water transportation
- 4500 Transportation by air
- 4600 Pipe lines, except natural gas
- 4700 Miscellaneous transportation services

Communication

- 4825 Telephone, telegraph and other communication services
- 4830 Radio and television broadcasting

Electric, gas and sanitary services

- 4910 Electric services
- 4920 Gas production and distribution
- 4930 Combination utility services
- 4990 Water supply and other sanitary services

Wholesale Trade

Durable

- 5008 Machinery, equipment and supplies
- 5010 Motor vehicles and automotive equipment
- 5020 Furniture and home furnishings
- 5030 Lumber and construction materials
- 5040 Sporting, recreational, photographic and hobby goods, toys and supplies
- 5050 Metals and minerals, except petroleum and scrap
- 5060 Electrical goods
- 5070 Hardware, plumbing and heating equipment and supplies
- 5098 Other durable goods

Nondurable

- 5110 Paper and paper products
- 5129 Drugs, drug proprietaries and druggists' sundries
- 5130 Apparel, piece goods and notions
- 5140 Groceries and related products
- 5150 Farm-product raw materials
- 5160 Chemicals and allied products
- 5170 Petroleum and petroleum products
- 5180 Alcoholic beverages
- 5190 Misc. nondurable goods

Retail Trade

Building materials, garden supplies and mobile home dealers

- 5220 Building materials dealers
- 5251 Hardware stores
- 5265 Garden supplies and mobile home dealers

5300 General merchandise stores

Food stores

- 5410 Grocery stores
- 5490 Other food stores

Automotive dealers and service stations

- 5515 Motor vehicle dealers
- 5541 Gasoline service stations
- 5598 Other automotive dealers

5600 Apparel and accessory stores

5700 Furniture and home furnishings stores

5800 Eating and drinking places

Misc. retail stores

- 5912 Drug stores and proprietary stores
- 5921 Liquor stores
- 5995 Other retail stores

Finance, Insurance and Real Estate

Banking

Code

- 6030 Mutual savings banks
- 6060 Bank holding companies
- 6090 Banks, except mutual savings banks and bank holding companies

Credit agencies other than banks

- 6120 Savings and loan associations
- 6140 Personal credit institutions
- 6150 Business credit institutions
- 6199 Other credit agencies

Security, commodity brokers and services

- 6210 Security brokers, dealers and flotation companies
- 6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

Insurance

- 6355 Life insurance
- 6356 Mutual insurance, except life or marine and certain fire or flood insurance companies
- 6359 Other insurance companies
- 6411 Insurance agents, brokers and service

Real estate

- 6511 Real estate operators and lessors of buildings
- 6516 Lessors of mining, oil and similar property
- 6518 Lessors of railroad property and other real property
- 6530 Condominium management and cooperative housing associations
- 6550 Subdividers and developers
- 6599 Other real estate

Holding and other investment companies, except bank holding companies

- 6744 Small business investment companies
- 6749 Other holding and investment companies except bank holding companies

Services

7000 Hotels and other lodging places

7200 Personal services

Business services

- 7310 Advertising
- 7389 Business services, except advertising

Auto repair; misc. repair services

- 7500 Auto repair and services
- 7600 Misc. repair services

Amusement and recreation services

- 7812 Motion picture production, distribution and services
- 7830 Motion picture theaters
- 7900 Amusement and recreation services, except motion pictures

Other services

- 8015 Offices of physicians, including osteopathic physicians
- 8021 Offices of dentists
- 8040 Offices of other health practitioners
- 8050 Nursing and personal care facilities
- 8060 Hospitals
- 8071 Medical laboratories
- 8099 Other medical services
- 8111 Legal services
- 8200 Educational services
- 8300 Social services
- 8600 Membership organizations
- 8911 Architectural and engineering services
- 8930 Accounting, auditing and bookkeeping
- 8980 Miscellaneous services (including veterinarians)

1997

Enterprise Zone Deduction and Credit Summary

3805Z

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

FEIN

A. Check the appropriate box for your entity type:

- ☐ Individual ☐ Estate ☐ Trust ☐ C corporation ☐ S corporation ☐ Partnership
☐ Exempt Organization ☐ Limited Liability Company ☐ Limited Liability Partnership

B. Enter the name of the enterprise zone business: _____**C. Enter the address (actual location) where the enterprise zone business is conducted:** _____**D. Enter the name of the enterprise zone in which the business and/or investment activity is located. See General Information C.** _____**E. Principal Business Activity Code number of the enterprise zone business** _____

Enter the 4-digit number from the Principal Business Activity Code Chart on page 20.

F. Total number of employees in the enterprise zone _____**G. Number of employees included in the computation of the hiring credit, if claimed** _____**H. Number of new employees included in the computation of the hiring credit, if claimed** _____**I. Gross annual receipts of the business** _____**J. Total asset value of the business** _____**Part I Credits Used****1 Hiring and sales or use tax credits claimed on the current year return:****a** Hiring credit from Worksheet VII, line 8A, column (f) or line 10, column (f) _____**b** Sales or use tax credit from Worksheet VII, line 9A, column (f) or line 11, column (f) _____

Add line 1a and line 1b _____

1**Note:** To figure the amount of credits to carry over, complete Worksheet VII on Side 2.**Part II Business Expense Deduction for Equipment Purchases****2 Enter the cost of qualified property purchased for the enterprise zone that is being deducted as a current year**

business expense, from Worksheet III, Section A, line 5, column (b) _____

2

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.2 or 24356.7. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

Part III Net Interest Deduction for Lenders**3 Enter the amount of net interest received on loans to businesses located in the enterprise zone from**

Worksheet IV, line 2, column (f) _____

3**Part IV Net Operating Loss Carryover and Deduction****4a Enter the enterprise zone NOL carryover from prior years from Worksheet VI, Section C, line 20, column (b)** _____**4a****4b Enter the total enterprise zone NOL deduction used in the current year from Worksheet VI, Section C, line 20, column (c).**

Enter this amount on Schedule CA (540), line 21e, column B; Form 100, line 20; Form 100S, line 19;

or Form 109, line 3 or line 11. _____

4b**4c Enter the enterprise zone NOL carryover to future years from Worksheet VI, Section C, line 20, column (e)** _____**4c**

ELECTION: For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276.2 or 24416.2, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.2(a) or 24416.2(a), for taxpayers operating a trade or business within the enterprise zone. If you elect to carry over an NOL under the enterprise zone provisions, you cannot carry over any other type and amount of NOL from this year.

Part V Portion of Business Attributable to the Enterprise Zone**5 Enter the average apportionment percentage of your business that is in the enterprise zone from Worksheet V,**line 5. If your operation is wholly within the enterprise zone the average apportionment percentage is 100% (1.00) **5** _____**Part VI Recapture of Deduction and Credits****6 Enterprise zone recapture of hiring credit from Worksheet I, Section B, line 2, column (b)** _____**6****7 Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b)** _____**7**

Worksheet VII **Computation of Credit Limitations — Enterprise Zones**

Part I Computation of Limitations. See Instructions.

1	Trade or business income. Individuals: Enter the amount from the Income Worksheet, line 15, column (c) (page 14) on this line and on line 3 (skip line 2). See instructions on page 18	1	
2	Corporations: Enter the average apportionment percentage from Worksheet V, line 5. See instructions	2	
3	Multiply line 1 by line 2. See instructions	3	
4	Enter the enterprise zone NOL deduction from Worksheet VI, Section C, line 20, column (c)	4	
5	Enterprise zone taxable income. Subtract line 4 from line 3	5	
6a	Compute the amount of tax due using the amount on line 5. See instructions.	6a	
6b	Enter the amount of tax from Form 540, line 24; Form 541, line 21; Form 100, line 22; Form 100S, line 21 or Form 109, line 7 or line 15. Corporations and S corporations, see instructions.	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on zone income. Go to Part II, Part III or Part IV. See instructions.	7	

Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit (Add Col. (b) and Col. (c))	(e) Limitation Based on EZ/PA Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e))	(g) Carryover (Col. (d) Minus Col. (e))
8	Hiring Credit	A					
		B					
9	Sales or Use Tax Credit	A					
		B					

Part III Limitation of Credits for S Corporations Only

	(a) Credit Name	(b) Credit Amount (See Instructions)	(c) S Corporation Credit (Multiply Col. (b) by 1/3)	(d) Total Prior Year Carryover	(e) Total Credit (Add Col. (c) and Col. (d))	(f) Credit Used this Year by S Corporation	(g) Carryover (Col. (e) Minus Col. (f))
10	Hiring Credit						
11	Sales or Use Tax Credit						

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Carryover. (Add Col. (b) and Col. (c))
12	Hiring Credit			
13	Sales or Use Tax Credit			



1997

Enterprise Zone Deduction and Credit Summary

3805Z

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

FEIN

A. Check the appropriate box for your entity type:

- ☐ Individual ☐ Estate ☐ Trust ☐ C corporation ☐ S corporation ☐ Partnership
☐ Exempt Organization ☐ Limited Liability Company ☐ Limited Liability Partnership

B. Enter the name of the enterprise zone business: _____**C. Enter the address (actual location) where the enterprise zone business is conducted:** _____**D. Enter the name of the enterprise zone in which the business and/or investment activity is located. See General Information C.** _____**E. Principal Business Activity Code number of the enterprise zone business** _____

Enter the 4-digit number from the Principal Business Activity Code Chart on page 20.

F. Total number of employees in the enterprise zone _____**G. Number of employees included in the computation of the hiring credit, if claimed** _____**H. Number of new employees included in the computation of the hiring credit, if claimed** _____**I. Gross annual receipts of the business** _____**J. Total asset value of the business** _____**Part I Credits Used****1 Hiring and sales or use tax credits claimed on the current year return:****a** Hiring credit from Worksheet VII, line 8A, column (f) or line 10, column (f) _____**b** Sales or use tax credit from Worksheet VII, line 9A, column (f) or line 11, column (f) _____

Add line 1a and line 1b _____

1**Note:** To figure the amount of credits to carry over, complete Worksheet VII on Side 2.**Part II Business Expense Deduction for Equipment Purchases****2 Enter the cost of qualified property purchased for the enterprise zone that is being deducted as a current year**

business expense, from Worksheet III, Section A, line 5, column (b) _____

2

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.2 or 24356.7. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

Part III Net Interest Deduction for Lenders**3 Enter the amount of net interest received on loans to businesses located in the enterprise zone from**

Worksheet IV, line 2, column (f) _____

3**Part IV Net Operating Loss Carryover and Deduction****4a Enter the enterprise zone NOL carryover from prior years from Worksheet VI, Section C, line 20, column (b)** _____**4a****4b Enter the total enterprise zone NOL deduction used in the current year from Worksheet VI, Section C, line 20, column (c).**

Enter this amount on Schedule CA (540), line 21e, column B; Form 100, line 20; Form 100S, line 19;

or Form 109, line 3 or line 11. _____

4b**4c Enter the enterprise zone NOL carryover to future years from Worksheet VI, Section C, line 20, column (e)** _____**4c**

ELECTION: For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276.2 or 24416.2, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.2(a) or 24416.2(a), for taxpayers operating a trade or business within the enterprise zone. If you elect to carry over an NOL under the enterprise zone provisions, you cannot carry over any other type and amount of NOL from this year.

Part V Portion of Business Attributable to the Enterprise Zone**5 Enter the average apportionment percentage of your business that is in the enterprise zone from Worksheet V,**line 5. If your operation is wholly within the enterprise zone the average apportionment percentage is 100% (1.00) **5** _____**Part VI Recapture of Deduction and Credits****6 Enterprise zone recapture of hiring credit from Worksheet I, Section B, line 2, column (b)** _____**6****7 Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b)** _____**7**

Worksheet VII **Computation of Credit Limitations — Enterprise Zones**

Part I Computation of Limitations. See Instructions.

1	Trade or business income. Individuals: Enter the amount from the Income Worksheet, line 15, column (c) (page 14) on this line and on line 3 (skip line 2). See instructions on page 18	1	
2	Corporations: Enter the average apportionment percentage from Worksheet V, line 5. See instructions	2	
3	Multiply line 1 by line 2. See instructions	3	
4	Enter the enterprise zone NOL deduction from Worksheet VI, Section C, line 20, column (c)	4	
5	Enterprise zone taxable income. Subtract line 4 from line 3	5	
6a	Compute the amount of tax due using the amount on line 5. See instructions.	6a	
6b	Enter the amount of tax from Form 540, line 24; Form 541, line 21; Form 100, line 22; Form 100S, line 21 or Form 109, line 7 or line 15. Corporations and S corporations, see instructions.	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on zone income. Go to Part II, Part III or Part IV. See instructions.	7	

Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit (Add Col. (b) and Col. (c))	(e) Limitation Based on EZ/PA Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e))	(g) Carryover (Col. (d) Minus Col. (e))
8	Hiring Credit	A					
		B					
9	Sales or Use Tax Credit	A					
		B					

Part III Limitation of Credits for S Corporations Only

	(a) Credit Name	(b) Credit Amount (See Instructions)	(c) S Corporation Credit (Multiply Col. (b) by 1/3)	(d) Total Prior Year Carryover	(e) Total Credit (Add Col. (c) and Col. (d))	(f) Credit Used this Year by S Corporation	(g) Carryover (Col. (e) Minus Col. (f))
10	Hiring Credit						
11	Sales or Use Tax Credit						

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Carryover. (Add Col. (b) and Col. (c))
12	Hiring Credit			
13	Sales or Use Tax Credit			



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How to Get California Tax Information

(Keep This Page For Future Use)

General Toll-Free Phone Service

Our general toll-free telephone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1998. The best times to call are between 7:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 8:00 p.m. Service is also available on Saturdays, April 4 and April 11, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, from 8:00 a.m. until 5:00 p.m.

From within the
United States, 1-800-852-5711
From outside the
United States, 1-916-845-6500
(not toll-free)

For hearing impaired
with TDD 1-800-822-6268
For federal tax questions,
call the IRS at 1-800-829-1040

Asistencia Bilingüe en Español

Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

Geographic Boundaries

Further information about geographic boundaries of the enterprise zones is available from:

ATTN ENTERPRISE ZONE PROGRAMS
CALIFORNIA TRADE AND COMMERCE
AGENCY
801 K STREET SUITE 1700
SACRAMENTO CA 95814
Telephone: (916) 324-8211
FAX: (916) 322-7214

Letters

If you find it necessary to write rather than call, please address your letter to:

ATTN RESOURCE DEVELOPMENT
SECTION
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

Please allow eight to ten weeks for a reply. Include your California identification number and daytime telephone number on all correspondence.

Your Rights as a Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Publication 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by calling or writing the FTB using the address above for letters.

Economic Development Area Information

Further information about enterprise zone tax incentives is available from:

FRANCHISE TAX BOARD
ECONOMIC DEVELOPMENT AREA
INFORMATION
Telephone: (916) 845-3464

Where to Get Income Tax Forms

By Internet – If you have Internet access, you may download, view and print 1994, 1995, 1996 and 1997 California tax forms and publications. Our Internet address is:

<http://www.ftb.ca.gov>

By phone – Use F.A.S.T. to order 1994, 1995, 1996 and 1997 California personal income tax forms, 1997 California corporate tax forms and 1997 federal forms. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call 1-800-338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

In person – Most libraries, post offices and banks provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307



F.A.S.T. Toll-Free Phone Service

(Keep This Page For Future Use)

Call Fast Answers about State Taxes, the F.A.S.T. toll-free phone service you can use to:

- Find out about your current year tax refund;
- Order most California and federal income tax forms; and
- Hear recorded answers to many of your questions about California taxes.

F.A.S.T. is available in English and Spanish to callers with touch-tone telephones.

When is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week.

How To Use F.A.S.T.

Have paper and pencil ready to take notes.

Call from with the
United States 1-800-338-0505
Call from outside the
United States (not toll-free) . . . 1-916-845-6600

To Find Out About Your Current Year Personal Income Tax Refund

You should wait at least two weeks after you file your tax return before you call to find out about your refund. You will need your social security number, the numbers in your street address, box number or route number, and your zip code to use this service. Refund status information is available from 6:00 a.m. until 10:00 p.m., seven days a week, except state holidays. Call the F.A.S.T. number, select refund information and follow the recorded instructions.

To Order Forms

See the instructions for ordering forms on page 27. This service is available from 6:00 a.m. until 10:00 p.m., seven days a week, except state holidays.

To Hear Answers To Your California Tax Questions

Recorded answers to your tax questions are available 24 hours a day, seven days a week. To receive answers to any of the following questions, call the F.A.S.T. number, select general tax information and enter the three-digit code when instructed to do so.

Personal Income Tax Information

Code – Question

Filing Assistance:

- 100 – Do I need to file a return?
- 111 – Which form should I use?
- 112 – How do I file electronically and get a fast refund?
- 200 – Where can I pick up a form today?
- 201 – How can I get an extension to file?
- 202 – There is no envelope in the booklet. Where do I send my return?
- 203 – How much do I get for renter's credit?
- 204 – I never received a Form W-2. What do I do?
- 205 – I have no withholding taken out. What do I do?
- 206 – Do I have to attach a copy of my federal return?
- 207 – Should I file my return even though I do not have the money to pay?
- 208 – How do I figure my estimate tax payments?
- 209 – I lived in California for part of the year. Do I have to file a return?
- 210 – I do not live in California. Why do I have to file a return?
- 211 – How do I figure my IRA deduction?
- 212 – How do I claim my disaster related loss?
- 215 – Who is the qualifying individual for the purpose of head of household filing status?
- 216 – I'm due a refund. Do I still need to file a return?
- 217 – I am currently/was in the military. Do I have to file a California return?
- 218 – I'm in the military. Do I have to use the same filing status as federal?
- 219 – I sold my personal residence. How do I report the sale to California?

- 220 – There is no difference in my state and federal depreciation, business income and capital gain income. What do I do?
- 221 – What is community property?
- 222 – How much can I deduct for vehicle license fees?
- 227 – How do I get a refund of excess SDI?
- 239 – Where can I get help with filing my income tax return?
- 240 – Does a tax return have to be filed for a deceased taxpayer?

Refunds:

- 300 – My spouse has passed away. You sent a refund with both our names on it. What do I do?
- 301 – I got a letter saying you sent my refund to another agency. Why?

Penalties:

- 400 – I have an extension of time to file my return. Why did I get a penalty?
- 401 – I filed my return on time. Why did I get a penalty?
- 402 – How can I protest a penalty?
- 403 – What is the estimate penalty rate?

Notices and Bills:

- 500 – I received a bill and I cannot pay it in full. What do I do?
- 501 – Why didn't you give me credit for my withholding?
- 502 – You didn't give me credit for my child as a dependent. What do I do?
- 503 – I don't have a homeowner's exemption. Why did you deny my renter's credit?
- 504 – I'm head of my house. Why was I denied head of household filing status?
- 505 – Why was my IRA denied?
- 506 – How do I get my Form 1099-G corrected?
- 508 – I received a notice that didn't show all payments made. How do I get credit for them?

Tax For Children Under 14:

- 601 – Can my child take a personal exemption credit when I claim her or him as a dependent on my return?
- 602 – Federal law limits the standard deduction. Is the state law the same?

Miscellaneous

- 610 – Can I pay my taxes with a credit card?
- 611 – What address do I send my payment to?
- 612 – I mailed my return and haven't heard anything. Should I send a copy of my return?
- 613 – I forgot to attach my Form(s) W-2 when I mailed my return. What do I do?
- 614 – I forgot to attach a copy of my federal return. What do I do?
- 615 – How do I get a copy of my state tax return?
- 616 – What should I do if my federal tax return was examined and changed by the IRS?
- 617 – What are the current interest rates?

Corporation Franchise and Income Tax Information

Code – Question

Filing Assistance

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100?
- 717 – What are the tax rates for corporations?
- 718 – How do I get an extension of time to file?
- 722 – When do I have to file a short-period return?
- 730 – May I claim net operating losses in the first year?
- 731 – Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 – Can the prepayment to the Secretary of State be applied to my last year of business?
- 734 – What is the difference between franchise tax and income tax?

S Corporations

- 704 – Is an S corporation subject to the minimum franchise tax?
- 705 – Are S corporations required to file estimate payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
- 708 – Where do S corporations make the state tax adjustment on Schedule K-1 (100S)?

Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 735 – How can an exempt organization incorporate without paying corporation fees and costs?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

Minimum Tax and Estimate Tax

- 711 – Why can't I claim my prepayment tax as credit or estimate payment on my return?
- 712 – What is the minimum franchise tax?
- 714 – I'm not doing business; do I have to pay the minimum franchise tax?
- 716 – When are my estimate payments due?

Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?
- 728 – Why was my corporation suspended?
- 729 – Why is my subsidiary getting a request for a return when we file a combined report?

Tax Clearance

- 724 – How do I dissolve my corporation?
- 725 – What do I have to do to get a tax clearance?
- 726 – How long will it take to get a tax clearance certificate?
- 727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

Miscellaneous

- 617 – What are the current interest rates?
- 700 – Who do I need to contact to start a business?
- 701 – I need a state ID number for my business. Who do I contact?
- 702 – Can you send me an employer's tax guide?
- 703 – How do I incorporate?
- 719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 – How do I change my corporation name?
- 721 – How do I change my accounting period?
- 732 – What is the Water's-Edge Election?
- 737 – Where do I send my payment?
- 738 – What is electronic funds transfer?
- 739 – How do I get a copy of my state corporate tax return?